

December 29, 2014

## Natural Gas Trends

### Highlights

#### Flows on Net Mexico increase US exports from Texas to Mexico

Natural gas has been flowing to Mexico on the new NET Midstream pipeline system in South Texas since November, and flows on the pipeline are expected to continue increasing through 2015 as downstream work on the proposed Los Ramones Pipeline system to central Mexico is completed. The Net Mexico pipeline has been sending about 350 MMcf/d on average to the border, and as much as 500 MMcf/d at times, according to a company representative. An official Net Midstream spokesperson did not return calls to confirm those flow volumes, but the pipeline system is designed to move 2.1 Bcf/d of gas to the Texas border. Bentek expects total Texas exports to Mexico to rise to about 2 Bcf/d in 2015, a 0.5-Bcf/d (33%) increase from flows in 2014.

Total US exports to Mexico, including flows across the Texas, Arizona, California and New Mexico borders, are expected to reach 2.6 Bcf/d in 2015, a 0.6-Bcf/d increase over 2014 levels, and total flows are expected to reach 3.1 Bcf/d in 2016, according to Bentek. Multiple new pipelines and gas-fired power plants are under construction or planned in Mexico, particularly in the northwestern portion of the country.

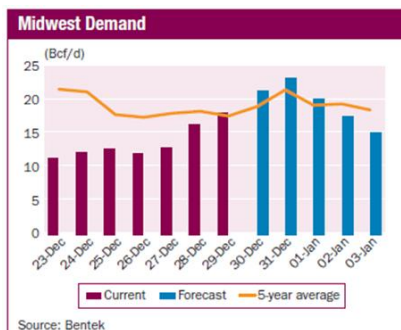
The 2.1 Bcf/d Los Ramones pipeline system is being built from South Texas to central Mexico in phases, with operations on the first phase (70 miles) to Nuevo Leon starting this month. The much longer 1.4 Bcf/d second phase (460 miles) to Guanajuato is scheduled for service next December.

These new flows across the border are likely to put upward pressure on South Texas basis. Agua Dulce cash basis strengthened by \$0.09/MMBtu in November and by another \$0.01/MMBtu in December.

#### Midwest demand to jump as cold moves through

Demand in the Midwest is expected to spike on Dec. 30-31, as average temperatures drop to the low teens for the last two days of 2014. The cold front will push total demand to 21.5 Bcf/d and 23.5 Bcf/d on Tuesday and Wednesday respectively, over 2 Bcf/d above the five-year average demand for the same period of time.

Average temperatures in Chicago are anticipated to drop to 17.3 degrees on Tuesday with lows reaching 11 degrees, 10 degrees below the normal for this time of year. The colder weather is projected to only last two days with temperatures returning to normal levels near the end of the week and pushing demand to 19 Bcf/d, slightly below the five year average.



Month-to-date demand in the Midwest has averaged 14.5 Bcf/d, 3.8 Bcf/d below 2013 when demand repeatedly averaged above 20 Bcf/d.

Source: Platts Gas Daily

### Data

- January 2015 Natural Gas Futures Contract (as of December 24), NYMEX at Henry Hub closed at \$3.030 per million British thermal units (MMBtu)
- January 2015 Light, Sweet Crude Oil Futures Contract WTI (as of December 26), closed at \$54.73 per U.S. oil barrel (Bbl.) or approximately \$9.44 per MMBtu

#### Last week: Texas warmer than normal

For the week beginning 12/21/14 and ending 12/27/14, heating degree days (HDD) were lower than normal (warmer) for the week and for the year to date for most Texas cities shown.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 12/27/14	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	189	-18	1401	-15%
Austin	82	-19	599	2%
DFW	100	-40	771	-10%
El Paso	130	-17	738	-28%
Houston	65	-26	420	-22%
SAT	71	-27	418	-26%
Texas**	84	-32	647	-11%
U.S.**	143	-54	1508	-7%

\* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated. \*\* State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

#### Last week: U.S. natural gas storage at 3,246 Bcf

For the week ending 12/19/2014 working gas in storage decreased from 3,295 Bcf to 3,246 Bcf. This represents a decrease of 49 Bcf from the previous week. Stocks were 175 Bcf higher than last year at this time and 169 Bcf below the 5 year average of 3,415 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 12/19/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,689	1,725	-36	-6.2%
West	461	471	-10	-1.3%
Producing	1,096	1,099	-3	-4.5%
Lower 48 Total	3,246	3,295	-49	-4.9%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

### Last week: U.S. gas rig count up for the week

The gas rig count for the U.S. was up two for the week but was down 34 when compared to twelve months ago. The total rig count for the U.S. was down 35 from last week and up 83 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

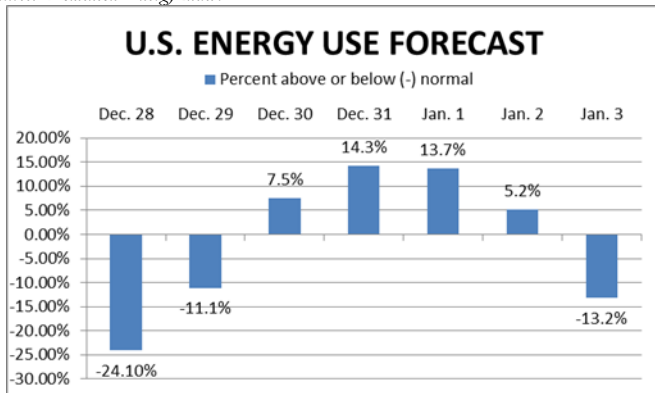
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 12/26/2014	+/- prior week	Year ago	+/- year ago
Texas	852	-16	835	17
U.S. gas	340	2	374	-34
U.S. oil	1499	-37	1382	117
U.S. total	1840	-35	1757	83
Canada	256	-135	263	-7

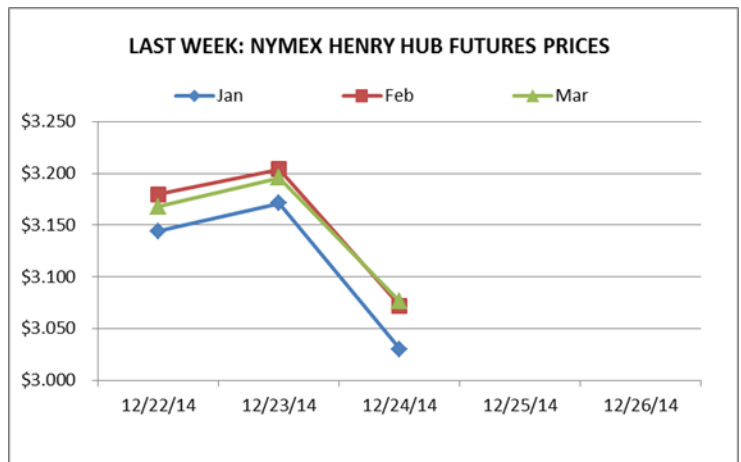
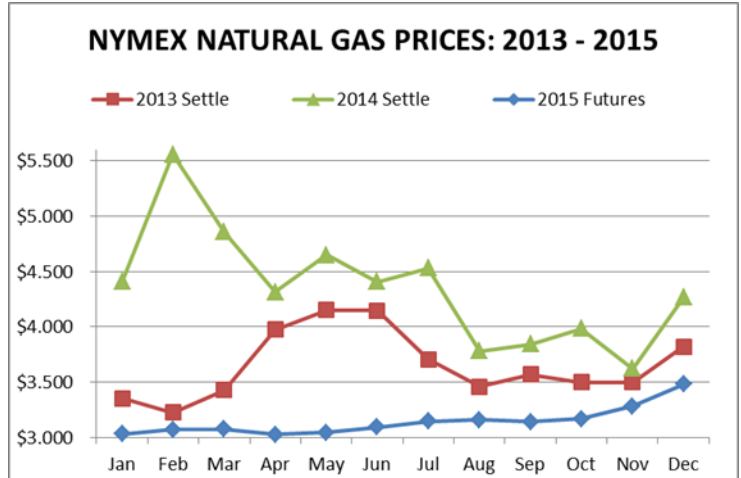
### This week: U.S. energy use varies

U.S. energy use is predicted to vary this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan. - Dec. and futures prices, shown in blue, for 2015.



\*Data for Dec. 25-26 is unavailable due to the Christmas Holiday.

### NATURAL GAS PRICE SUMMARY AS OF 12/26/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Jan. futures				
NYMEX	\$3.030	-\$0.434	-\$2.527	\$3.415